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UNIVERSITI TEKNOLOGI MARA
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THE EFFECTS OF TOURISM INDUSTRY
ON SELECTED MACROECONOMIC
VARIABLES IN MALAYSIA

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Dear Sir,

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It is great pleasure that I present you my thesis entitle **“THE EFFECTS OF TOURISM INDUSTRY ON SELECTED MACROECONOMIC VARIABLES IN MALAYSIA”** for your kind evaluation as required by the Faculty of Business Management, UiTM.

Your kindness in accepting the unbounded thesis is very much appreciated.

Thank you.

Yours Sincerely,



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ABSTRACT

This project paper is conducted to analyze the effects of tourism industry on selected macroeconomic variables in Malaysia .The tourism industry that consist of tourist arrival (ta), length of stay (los) and tourist expenditure (te) is viewed to determine the macroeconomic variables in Malaysia such as unemployment rates (UR), gross domestic product (GDP), balance of payment (BOP) and exchange rate(ER).This study uses the non parametric techniques that are Pearson chi square and spearman correlation coefficient of SPSS program for analyzing the gross domestic product , balance of payment ,unemployment rates and exchange rates with the tourism industry in terms of tourist arrival ,tourist expenditure and length of stay in Malaysia. The purpose of this study is to analyze and determine the effects and relationship between tourism industries with the selected macro economic variables in Malaysia. The data of the tourist arrival, tourist expenditure and length of stay is obtain from Malaysia Tourism Centre of Malaysia(MTC) and the data of selected macro economic variables were gathered from Bank Negara Malaysia library that is from its annual report and economic of Malaysia provided by Department of Statistics of Malaysia. .The data use in this study is yearly basis that started from1975 until 2005. Overall, the empirical result indicates that the tourism industry has a significant positive relationship with the selected macroeconomic variables that are gross domestic product, and exchange rates. But unemployment rates have a negative significant with the tourism industry. Only bop has positive insignificant relationship with the tourism industry.

1. INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The tourism industry in Malaysia remained strong despite the economic slowdown in the first half of the Eighth Malaysia Plan period. The industry continued to be a key foreign exchange earner, contributing to growth, investment and employment as well as strengthening the services account of the balance of payments. The resilience of the industry was largely attributed to the active participation of both the public and private sectors in undertaking vigorous promotion and marketing, diversifying target markets, as well as improving competitiveness of tourism products and services to sustain interest among tourists to visit Malaysia.(Malaysia's Ninth Plan)

During the Ninth Malaysia Plan period, concerted efforts will be geared towards realizing the full potential of the tourism industry in order to enhance its contribution to the services sector in particular, and the economy in general. The prime focus will be to enhance the country's position as a leading global tourist destination as well as promote domestic tourism. As tourism activity generates high multiplier effects across many sectors, it will provide a wider platform for greater inter- and intra-sectoral linkages. More coordinated efforts will be undertaken to mobilize and channel resources to upgrade the requisite tourism infrastructure and facilities as well as to develop more innovative tourism products and services. High priority will continue to be accorded to achieve more sustainable tourism development.